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TAGS: [PREL](#) [KNNP](#) [PARM](#) [FR](#) [NATO](#) [EUN](#)

SUBJECT: EUR A/S FRIED AND GERMAN POLITICAL DIRECTOR
SCHAEFER DISCUSS IRAN-EU3, DEVELOPMENTS IN KOSOVO, AND HOW
BEST TO IMPROVE NATO DECISION-MAKING

Classified By: DEPUTY CHIEF OF MISSION KARL HOFMANN, REASON 1.4 B/D

1. (C) Summary: A/S Dan Fried met with German Political Director Michael Schaefer September 1 in Paris, just prior to the latter's departure for the EU's Gymnich in Cardiff. Schaefer noted the EU3 considered the Paris Agreement negotiations to have ended, given that Iran had resumed conversion activities. The EU now supports referral of Iran to the UNSC, but without an immediate reference to sanctions. Schaefer called for the U.S. and the EU to get Chinese and Russian support, in advance of the next IAEA Board of Governors' meeting. A/S Fried cautioned that EU efforts to obtain Russian or Chinese support must not lead to a watering down of our joint approach to Iran. He recommended that the EU and the U.S. think of an option, which could include sanctions, with the long-term goal of promoting democracy in Iran. Schaefer expressed concern that German business interests would suffer in the event the EU imposed sanctions.

2. (C) On Kosovo, Schaefer related that UN special envoy Kai Eide was downbeat about the situation on the ground, citing deficiencies in justice, police, and privatization domains. Decentralization is not working and parliamentary-approved laws are not being implemented. Schaefer observed that Rugova's poor health might also adversely affect the situation. A/S Fried and Schaefer agreed that while status talks should commence by the end of the year, there is still time to work together on a common message. Schaefer suggested increased consultations and the potential holding of a conference on status talks. On NATO, A/S Fried conveyed U.S. interest in informal and early consultations, possibly in restricted format, as part of our effort to avoid major disputes at NATO meetings. He emphasized that the U.S. was not against U.S.-EU action when that was the best format. A/S Fried also informed Schaefer of the upcoming Forum for the Future conference in Bahrain, an initiative linked to the Broader Middle East agenda. End Summary.

EU3 Discussions on Iran

3. (C) Schaefer related to A/S Dan Fried the outcome of the EU3's August 31 discussions on Iran in Paris. The EU3 also met with Russian DFM Kislyak on the same issue. Schaefer said the EU3 have concluded that Iran had violated the terms of the November 2004 Paris Agreement, that it needed to comply with its IAEA obligations, and that the key now was for the EU and the U.S. to ensure at the upcoming IAEA BOG meeting that Iran would be referred to the UNSC. The Russians, he said, are worried about a nuclear Iran, but do not believe there is enough evidence to refer Iran successfully to the UNSC. The task ahead, Schaefer noted, is for the EU and the U.S. to convince the Russians, the Chinese, the South Africans and others (NAM members) of the necessity of reporting Iran. Schaefer said it was important to counter Iran's legal arguments in defense of conversion. The Iranians needed to be told that it is isolating itself, as no one accepts the economic necessity of conversion.

4. (C) Schaefer said referral is the end goal, but that it should not include immediate references to UNSC sanctions. It would be hard for the EU and the U.S. to argue that a threat exists when there is no evidence that Iran has moved to the enrichment phase. Conversion in itself is not a threat to international security, he added. Schaefer said the authority of the UNSC could be used to push for the support of the international community. At present, the Iranians are not afraid of the UNSC -- they have changed tactics from a dual-track approach of avoiding referral to UNSC while proceeding with conversion, to a policy focused on enhanced nuclear activities (eventual enrichment).

5. (C) A/S Fried cautioned that the EU quest to get the Russians and others to accept the necessity of an UNSC referral could risk a watering down of our common efforts against the Iran nuclear program. To avoid becoming weak, he suggested that the EU and the U.S. consider a "plan B" for U.S. and EU sanctions. Schaefer said that the EU is looking at potential economic measures, but that EU industry is in a weak position. Small and medium size German companies run the risk of bankruptcy in the event of the imposition of sanctions. Additionally, once sanctions are implemented, talks with Iran likely would end. Meanwhile, the Indians,

Russians and Chinese would benefit at the expense of Western businesses. Schaefer and A/S Fried agreed that the Indians might be key and that further consultations with them were in order. Schaefer said the EU3 also would have to do a better job of convincing the international community of the extent of joint U.S. and EU efforts made to date to offer Iran a solution. A/S Fried reminded Schaefer that we all might benefit by distinguishing between the Iranian regime and its people, as we work on our long-term goal of promoting democracy in Iran. Schaefer responded that the Iranian regime itself was already divided, adding that Iranian leader Ahmadinejad is isolated from more moderates like Larijani and Rafsanjani.

Kosovo

16. (C) Schaefer noted that UN special envoy Kai Eide was downbeat about realities on the ground in Kosovo. Eide feels a sense of urgency is lacking with respect to the enormous difficulties still affecting the justice, police and privatization systems. Laws passed by parliament, for instance, are not being implemented on the ground. Decentralization is not working, despite the stated willingness by all sides to accept multi-ethnic communities, even in areas where the Serbs are in a majority. Schaefer said he told Eide that the focus should be on moving forward on status talks. Schaefer and A/S Fried also observed that Rugova's illness is a serious concern and a potential complicating factor, with Schaefer fearing a power vacuum in the event of the passing of Rugova. The latter's absence could also adversely impact on the talks. Nonetheless, both A/S Fried and Schaefer agreed that status talks should take place by the end of the year. In the interim, Schaefer noted, there were 6-8 weeks left for a sliding review. A final paper on the issue is not ready, but the international community can at least communicate to the parties that benchmarks needed to be met.

17. (C) A/S Fried briefed Schaefer on U.S. thinking, noting that EUR DAS DiCarlo would go to New York soon. Schaefer suggested that perhaps he and U/S Burns could travel to the region together to convey our concerns, to include consultations with Eide. Without making a commitment, A/S Fried concurred, adding that it was essential to press for progress on decentralization. Schaefer indicated a conference on talks might be useful, but observed that the U.S. and Europe would need to think creatively about a potential location, the participants, and the exact agenda. A/S Fried said we could engage the Secretary if launching of the talks is on the table.

NATO-EU Relations

18. (C) A/S Fried informed Schaefer that the U.S. wants to improve its dialog with Europe and that he planned to propose to the French that we debate issues more informally, possibly in smaller groups. The aim is to quickly work out intentions and not to get into institutional fights at NATO and elsewhere, A/S Fried observed. Schaefer commented that France viewed NATO's mandate as one restricted to operational issues. A/S Fried emphasized that we did not, and that we supported both the EU and NATO, though NATO was our institution of choice for security issues and actions. Touching on the difficulties experienced with France at NATO, Schaefer and A/S Fried agreed that the U.S. and Germany needed to push France harder to cooperate on decisions. Picking up on the idea of consultations, Schaefer suggested an informal meeting on NATO in New York. A/S Fried said he would take up the suggestion in Washington. In a brief reference to Central Asia, Schaefer volunteered to travel with A/S Fried to Tashkent.

Broader Middle East

19. (C) A/S Fried briefed Schaefer on our goals in the Middle East, specifically on the upcoming November 12 ministerial-level Forum for the Future conference in Bahrain. He emphasized that the U.S. is looking for broader European involvement.

110. (U) The message has been cleared by A/S Fried.
STAPLETON